



IOWA GENERAL ASSEMBLY
Administration and Regulation Appropriations Sub-Committee
February 8, 2005

Iowa Department of Revenue Issue Brief

I. Accountability Programs:

- A. Automated System for Tracking the Awarding and Exercise of Tax Credits
 - 1) Creates an automated system for tracking the awarding and exercise of tax credits
 - 2) Develops a process for establishing a tax credits budget and for evaluating the effectiveness of various tax credits in achieving their intended objectives
 - 3) \$660 million in tax credits were claimed by non-agricultural businesses in 2000
- B. Enhanced Economic Analysis & Support for Local Economic Development Planning
 - 1) Establishes an economic and demographic research and forecasting capability in state government
 - 2) Responds to increasing number of requests for information from state/local governments, universities, private companies, economic development organizations
 - 3) Provides for development of a statewide structural economic and demographic forecasting model for analysis down to county and metropolitan area levels

II. Change in Information Technology Billing:

- A. New charges for services previously viewed as non-billable
- B. Addresses federal over-billing concerns
- C. Additional cost equals 3% of the department's budget for FY'06.

III. Maintain Charter Grant Fund Positions:

- A. Provides funding for six compliance positions currently funded with a Charter Agency grant
- B. Generates \$1.3 million annually

IV. Notes:

- A. Streamlined Sales Tax, eFile and Pay (see next page)
- B. Further information available in the department's annual report
- C. Information and results available at www.state.ia.us/tax or www.resultsiowa.org



Iowa Department of Revenue Offerings for Iowans

Enterprise Collection Services=Collecting \$100 Million of Debt Owed to Iowans

The Department offers a suite of enterprise collection services that will generate in excess of \$100 million. The Department's collections program encompasses three sections, Accounts Receivable, Collection Partnership and Advanced Collections. Through activities in these three areas tax compliance is enhanced by ensuring that each individual pays all taxes that are due, but not more. This offer also provides the opportunity to continue the collection efforts of the Judicial Branch, DHS Child Support and the college Student Aid Commission through a Partnership effort that targets the most severe delinquencies in those agencies.

Achieving Compliance with Iowa's Tax Laws

To achieve compliance with Iowa's tax laws and ultimately maximize the revenues desired from those laws, three important elements must be in place: 1) fair, equitable, consistent and well understood tax policy; 2) an educated and knowledgeable public that can comply with those laws; and 3) an enforcement presence to ensure that those that misinterpret the laws or willfully fail to comply with the laws are identified and the correct tax calculated and collected. This offer provides all three of those elements.

Processing \$6 Billion of Tax Receipts to Fund State Government Services

This offer provides for accurate and timely processing of tax and payment information for the citizens of Iowa. This includes continuing efforts to promote electronic filing, prompt deposit of tax revenues, and resolution of taxpayer questions or adjustments and to issue refunds or disburse revenues to other entities within state and local government.

Providing for Property Tax Administration

Through equalization, education, central assessments and the utility replacement tax, this offer provides for property tax administration across the state of Iowa. This offer insures equalization to maintain appropriate assessment levels and assessors who are educated and tested. Additionally it provides for central assessment of utility and railroad companies for property taxation which produce around \$4 billion in assessed value statewide and administration of the utility replacement tax on all providers of electricity and natural gas operating in Iowa.

Tax Resource and Program Analysis

Managing Government requires timely and accurate information and tax revenues and refunds and analysis of proposed legislation that could affect the State's fiscal condition. This offer proposes to provide this information through analysis of tax receipts and refunds, quarterly briefing papers for the Revenue Estimating Conference, sales and use tax statistical reports and analysis of tax receipts and refunds.

Local Government Payments

Deliver \$149 million worth of state revenue to Iowans in the form of renter credits, senior and disabled credits and other credits.



Iowa Department of Revenue 2004 Results

Electronic Income Tax Filing Program

- Led the nation (for the third consecutive year) with 60 percent of individual income tax returns filed electronically
- Issued 97 percent of individual income tax refunds from electronically filed returns within 14 days of receipt
- Received 62 percent of tax revenues electronically and deposited 79 percent of all tax revenues on the same day as received

Streamlined Sales Tax Project

- Implemented SSTP legislation 07/01/04
- Conducted training seminars in all 99 counties
- Currently collecting approximately \$1 million per year from registrants who volunteered in support of the project
- Implemented a downloadable rates and boundary data base
- Project national implementation (voluntary) on October 1, 2005

e-File and Pay Program

- Withholding agents are now able to file their Iowa withholding returns electronically using the department's new eFile & Pay system
- Later in 2005, sales/use tax, motor fuel tax will be added
- Benefits for taxpayers include:
 - No waiting for paper returns in the mail
 - Access to electronic filing and paying system 24 hours a day/7 days a week
 - Access to filing and payment history 24 hours a day/7 days a week
 - Confirmation that returns and payments are received
 - Ability to schedule payments in advance

Compliance

- Collections and refund reductions totaled over \$81.8 million
- Charter Agency and collections interest saving totaled over \$1.2 million

Property Tax

- Implemented revisions to the computer application for utility replacement tax pursuant to SF 275
- Completed appraisals and ratio study for statewide industrial assessment review

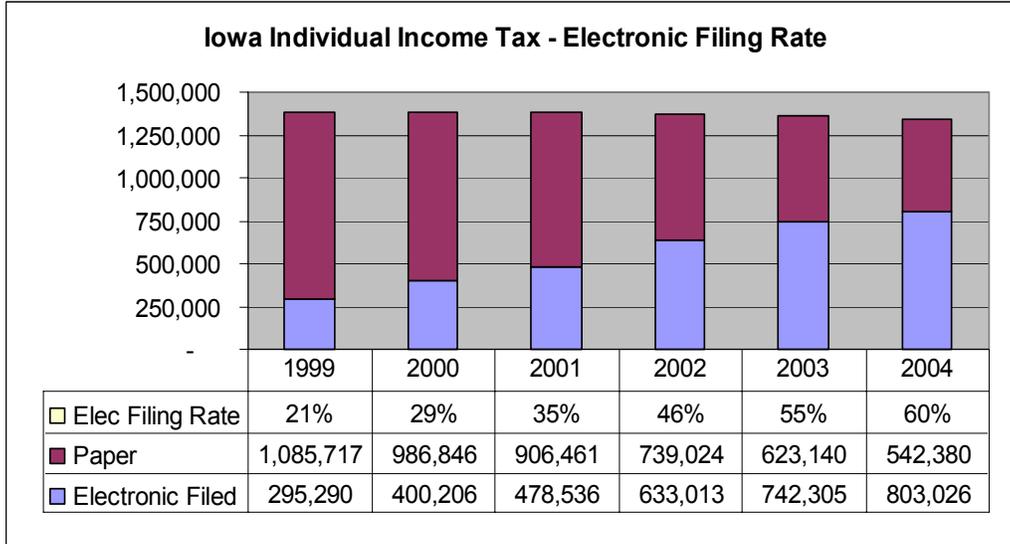
Tax Research and Analysis

- Initiated project to significantly improve individual income tax modeling
- Completed the electronic filing data project to improve tracking of individual income tax returns during tax processing season

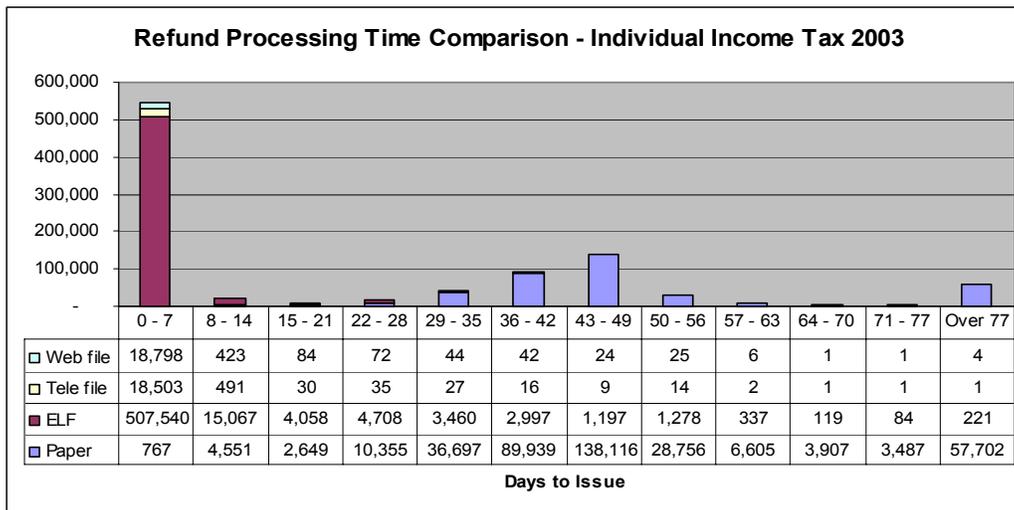
Collections

- Generated collections of \$80 million in past due tax liabilities
- Collected over \$12 million in court fines, \$5 million in defaulted student loans and \$1 million in past due child support payments

How Many Iowans File Electronically?

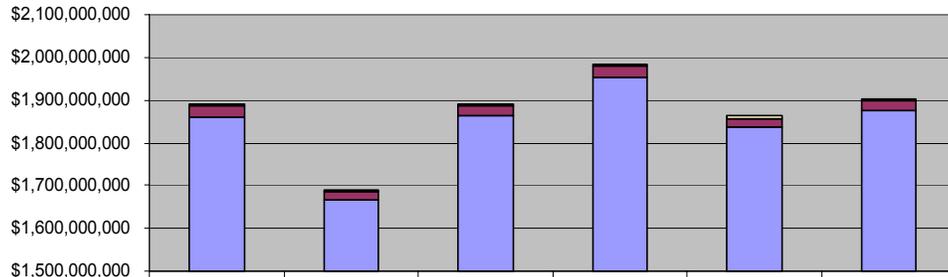


How Quickly Do We Process Refunds?



How Well Do We Collect Taxes Due?

Individual Income Tax Known Due - State of Iowa



	1997	1998	1999	2000	2001	2002
□ Tax Not Paid	\$3,993,969	\$3,347,991	\$3,471,923	\$5,577,798	\$4,205,668	\$3,556,937
■ Tax Paid Late	\$25,020,527	\$21,032,283	\$26,128,294	\$25,863,800	\$22,165,762	\$24,930,559
■ Timely Paid Tax	\$1,860,556,355	\$1,665,479,755	\$1,862,145,350	\$1,952,553,859	\$1,835,883,031	\$1,873,646,631

Measured one year after the due date

Tax Year